

IRS**News Release****Media Relations Office****Washington, D.C.****Tel. 202.622.4000****For Release: 5/23/02****Release No: IR-2002-68****IRS PROVIDES SIMPLIFIED ACCOUNTABLE PLAN RULES FOR CERTAIN EMPLOYERS**

WASHINGTON – Using the Industry Issue Resolution (IIR) program, Internal Revenue Service today issued guidance that provides employers in the pipeline construction industry an optional deemed substantiation method for reimbursing certain employee business expenses. Under Revenue Procedure 2002-41, payments by pipeline construction employers to employees who are required to use their own welding or mechanics rigs as a condition of employment are deemed substantiated at up to \$13 an hour.

Along with the revenue procedure, the IRS today issued Revenue Ruling 2002-35, which clarifies that payments to employees for equipment they are required to provide as a condition of employment are wages for federal employment tax purposes, unless such amounts are paid under an accountable plan. Today's ruling also revokes Revenue Ruling 68-624.

The new revenue procedure and revenue ruling do not apply to independent contractors.

The IIR program, launched in 2001 by IRS, tackles tax issues submitted by taxpayers, associations and other groups representing businesses. The objective is to resolve frequently disputed or burdensome tax issues.

Revenue Procedure 2002-41 also requests comments from other industries facing similar issues in implementing accountable plans, especially where the nature of the industry results in employees working for multiple employers during the year.

Revenue Ruling 2002-35 and Revenue Procedure 2002-41 will be in Internal Revenue Bulletin 2002-23, dated June 10, 2002, and will be posted on the IRS Web site, www.irs.gov. Information on the Industry Issue Resolution program may be found in Notice 2002-20 and in Internal Revenue Bulletin 2002-17, also available at the Web site.

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